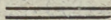


**Saskatchewan
Co-Operative Elevator Co.
Limited**

REGINA



**Report of the Board of Directors and
Financial Statements as presented
to the General Meeting**



AUGUST 21st, 1912

\$45
JA

Saskatchewan Co-operative Elevator Company Limited

REGINA



Report of the Board of Directors and
Financial Statements as presented
to the General Meeting

August 21st, 1912.

Saskatchewan Co-operative Elevator Company, Limited.

REPORT OF DIRECTORS AS PRESENTED TO THE GENERAL MEETING, AUGUST 21, 1912.

Gentlemen:—

I have pleasure in submitting for your consideration the report of your Board of Directors in connection with the first year's business of the Company. In this report it is not the intention to deal exhaustively with the details of the Company's operations, but to touch briefly the features which are most important.

First, in connection with our construction programme of last year, you will remember that our last general meeting was held on July 6, and as the Company was not permanently organized until that date, nothing could be done toward construction. The Board of Directors met immediately after the general meeting and elected an Executive Committee composed of J. A. Maharg, President; G. Langley, Vice-President; and Charles A. Dunning, Secretary-Treasurer; and this committee proceeded at once to procure plans and specifications for a type of elevator which would give practical effect to the purpose of the Company. Three sets of plans were submitted by well known elevator firms, the one finally accepted being that prepared by the Harper Construction Company of Winnipeg.

During the consideration of the various plans submitted, the Executive engaged Mr. E. S. Estlin as engineer, and the plan finally accepted was chosen on Mr. Estlin's approval and recommendation. Contracts to build forty elevators were let to five different firms of contractors, the guaranteed dates of completion being ten by October 1, nine by October 15, six by October 25, eleven by November 1, and the remaining four by November 15.

The construction department of the Company instituted a careful system of inspection of each elevator during construction, this being

rendered even more necessary than usual by reason of the elevators differing considerably from the ordinary line elevator, which the contractors were accustomed to build.

Although in each contract time was stated to be an essential feature, it became early apparent that hardly any of the elevators would be completed by the time stated in the contract, the causes of delay being in many cases due to the contractors themselves, and in others to the difficulties incidental to building elevators on lines of railway still under construction.

The extent of the delay may be seen from the fact that on December 1, two weeks after the whole number contracted for should have been completed, only seventeen were actually finished, and at the close of the year there were still nine elevators not yet completed. The effect of this delay on the amount of grain the Company might reasonably have expected to handle amounts to probably not less than two million bushels.

In addition to the forty elevators the Company undertook to build, six existing elevators were purchased, five of which were opened for business at the commencement of the grain season, the sixth being purchased in December.

FINANCE.

The question of finance, involving a capital expenditure of \$362,768.20, including an agreement with the Government, made necessary by section 24 of the Act of Incorporation, was exhaustively gone into by the Executive Committee, who reported to the Board of Directors recommending the execution of the agreement which had been prepared by the Attorney General's Department and the Company's solicitor, Mr. J. A. Cross of the firm of Haultain, Cross & Jonah. This agreement contains the conditions under which the Government advances the loans provided for by the Act. These conditions in general outline are that the money shall be advanced as the progress of the work demands, upon individual requisition for each elevator, supplemented by certificates signed by the Company's engineer, the Government reserving to itself the right to institute whatever form of inspection it considers necessary. The rate of interest stated in the agreement is five per cent. per annum, but a special clause was inserted providing that if the Government is able to procure money at a cheaper

rate, the Company shall have the advantage of the lower rate. The recommendation of the Executive was accepted by the Board of Directors and the documents were duly executed.

The question of financing the building and purchasing of elevators having been thus satisfactorily settled, it then became necessary to arrange for a line of credit large enough to make sure of being at all times able to purchase grain offered for sale at the local elevators. After considerable negotiating, the Company entered into an arrangement with the Canadian Bank of Commerce whereby a line of credit of half a million dollars was made available for the purchase of street grain.

OPERATION

Some time previous to the opening of the grain season a Directors' meeting was held and the general policy to be pursued by the Company fully considered and determined upon. The necessity for the appointment of a general manager was recognized at this meeting, and Mr. Dunning was appointed to fill that position.

A further matter of importance considered was the organization of new locals in time for elevators to be built in 1912, and in order that special attention might be given to this work, Mr. Langley was appointed Organizing Director.

One of the most important decisions arrived at by the Directors, and given in a definite instruction to the manager, was that under no circumstances should the Company, or any of its officers or employees, be allowed to speculate in grain futures on the Winnipeg Exchange.

An agreement was entered into with the Grain Growers' Grain Company of Winnipeg whereby that firm became the selling agents for the Company's grain for the season, and the wisdom of the arrangement has been proved by the satisfactory working of it.

In organizing a system for the successful administration of the Company's business, the modern method of division into departments was adopted, involving Construction, Accounting, Operating, Sales and Organization departments. In selecting the men to superintend each department care was taken to secure men of experience and ability, the management feeling that in the administration of a business of such large proportions and future possibilities it was necessary to avail themselves of the best expert knowledge obtainable.

The Construction department, under the superintendence of Mr. Estlin, has charge of the erection, equipment and upkeep of the elevators. During the first season's building operations this department supervised the contractors who did the work, but this season your Directors decided that the Company should undertake its own construction work, and therefore the scope of this department has been considerably widened.

The Accounting department, of which Mr. F. W. Riddell is chief, maintains a complete system of accounting, covering every branch of the Company's business, embodying, in addition to the ordinary records of a line of elevators, provision for those special co-operative features contained in the Act of Incorporation. As required by the Act, the system and forms of accounting have been approved by the Provincial Auditor, and a progressive audit of the Company's business is maintained by auditors approved by that official, and a weekly certificate given.

The Operating department, with Mr. John Thordarson as general superintendent, has charge of all matters pertaining to the operation of the elevators, including the engaging and control of the operators and the carrying out of the policy of the Company in the storing and purchasing of grain.

The Organization department, under the supervision of Mr. Langley, is responsible for the organization propaganda, the giving of information in regard to the scheme and the direction of the organizers who are engaged in field work.

The Sales department attends to the sale on the Exchange and elsewhere of all the grain purchased by the Company at country points. This department has been under the personal supervision of Mr. Dunning during the term of the arrangement with the Grain Growers' Grain Company mentioned above. At a Directors' meeting held in the month of June it was decided that the growth of the business demanded that the work of selling the Company's grain should not in future be entrusted to agents, however competent and trustworthy, and the Directors instructed the Executive to take the necessary steps to organize a Sales and Commission department, with offices in Winnipeg. The Executive have followed the instructions given, and have engaged Mr. F. N. MacLaren as superintendent of the Sales and Commission work of the Company at Winnipeg. It is not intended that the Winnipeg office should be run independently of the head office of the Company,

but that it shall be subject to the same audit arrangements as the head office, and be under the control of Mr. Dunning as General Manager of the Company, in the same way as the other departments of the business.

RESULTS

Up to the end of the financial year, July 31, the Company had handled 3,261,000 bushels of grain through the elevators, 1,474,645 bushels of which has been purchased by the Company and 1,786,355 bushels special binned for farmers. While this total is very satisfactory for the first year, it would have undoubtedly been much larger but for the delay in construction previously mentioned, which forced our supporters settled along new lines of railway to draw their grain long distances to old market points, previous to their own elevator being completed. The railway congestion, which was general all over the Province last season, affected new lines of railway more seriously than older ones, in many cases the new elevators being filled a few days after opening, and then being unable to ship any grain for a considerable time, owing to non-supply of cars.

It is somewhat unfortunate that the first season of the Company's operations should have been under what are perhaps, the most unfavorable crop conditions in the history of the Province. As every shareholder knows, the quality and condition of the grain grown in the Province last year rendered the work of marketing it satisfactorily to the producer a most difficult task. There was a greater diversity of grades than ever before, the difference being not only between one district and another, but in the same district. The quality and condition varied from the highest to the lowest in many cases in the same fields.

The Company has been able to render great assistance to the farmers under these abnormal conditions, by reason of the special facilities provided in the elevators for preserving the identity of the farmers' own grain, and also the excellent cleaning and weighing out equipment which enables the grain grower in selling his grain, to obtain for it the fullest possible value under our present marketing system.

In connection with grain purchased by the Company by the wagon load, the crop and transportation conditions mentioned above have combined to render this feature of the Company's business most difficult. In spite of this, the Company has been able to exert an influence

that cannot be disputed on the price paid for grain at country points. Not only has it been able to pay higher prices for grain of the poorer qualities than was ever paid before, but it has also been the means of higher prices being paid by its competitors, who certainly do not allow themselves to be overbidden by this Company.

There have, of course, been troubles of various kinds in connection with the operation of the elevators from time to time; troubles which have arisen from incompetent operators, others from unreasonable patrons, and others from the fact of the elevators being new, the settling of the houses being responsible for the machinery getting out of order in some cases. In other cases scale troubles have occurred, resulting, sometimes in loss to the Company, and sometimes in loss to the supporters. When the supporters have proven the losers the Company has invariably made good the loss shown to exist, after a thorough investigation has been made. Your Directors are pleased to be able to report that the amount of trouble arising from these various causes has been small, and while a business of such large proportions cannot be carried on without mistakes, the fact of our supporters doing business with their own Company is a solid guarantee of justice, as no man in the service of the Company has anything to gain by robbing the supporters of any local.

It is a source of great pleasure to be able to report, in connection with the operation of the elevators, that the loyalty of the farmers to their own institution, which was doubted by many at the time the scheme was proposed, has been demonstrated by their consistent support, in spite of the tempting baits held out by competing line elevators, in the form of higher prices, higher grades or reduced handling charges. The grain growers know that if our competitors offer better terms than their own Company can, they must be recouping themselves by means of some of the time-honored methods with which all farmers are familiar from past experience.

We wish now to refer briefly to the organization and construction work of the Company for 1912, and in connection with both of these matters your Directors have recommendations to make to this meeting, which, if adopted, will render easier the work of both departments and tend toward greater efficiency.

During last fall requests from local points for organization were comparatively few, while from the month of February on, the Company was literally deluged with petitions for elevators to be built or acquired

in time for this crop. This condition prevented our organizing to any extent until February. Locals not being organized, the Executive could not commence placing orders for building material until April and May, as it was necessary to be able to order a large quantity of each kind of material in order to secure the lowest possible tenders for supplying it. The result has been delayed construction, on account of materials not being available in time to put a large number of gangs in the field. It is the policy of other elevator concerns to decide how many elevators they will build in any season, during the previous fall, and they are thus enabled to place orders for machinery early in the winter for delivery the following spring, and unless our future organization is completed in the fall or early winter, it will never be possible for this Company to meet the demands made upon it for elevator construction in any one season.

We have undertaken this year the building of a larger number of elevators than was ever attempted in the West before, and have discovered the great difficulty connected with ordering material in the spring, machinery particularly, being very difficult to obtain unless ordered early.

Another matter which renders the task of building a large number of elevators in a short time difficult, is the transportation problem. Railway men admit that the worst congestion that ever occurred in the West has been in existence from last fall up to the present time, and this explains why many of our cars of material were from one month to eight weeks in the hands of the railway companies before reaching destination. Your Directors are of opinion that the difficulties arising from these various sources can be largely overcome by completing organization not later than the month of January.

In connection with the Organization department, work has also been rendered more difficult by reason of being crowded into such a short space of time. This can be readily understood from the fact that the Company now has 139 locals with a total of 8,962 shareholders, with each one of which a separate account is kept by the department. The large number of applicants for shares from the month of February onward rendered very difficult the work of issuing allotment certificates by June 21, so that the new locals could receive legal notice of the general meeting of the Company on August 21. It is partly for this reason that your Directors recommend that future general meetings should be held in the month of November. The financial year of the

Company does not close until July 31, and it is not practicable to close the year earlier than that date, for the reason that the stocks of grain on hand at country elevators would be too large to permit of weighing up for the purpose of taking stock. The management have found that 21 days is entirely too short a time to prepare the balance sheet of so large a concern as ours is becoming, especially as a separate balance sheet for each local must be prepared, in addition to the statement of the affairs of the Company as a whole. These reasons, together with the further consideration that November would certainly be more convenient for delegates than August, have decided your Board of Directors in recommending that future General Meetings be held in the month of November.

The financial outcome of the Company's work during the past year is shown on the balance sheet which has been placed in your hands. This financial statement will be dealt with in detail by the Manager of the Company during the course of this meeting. Your Board of Directors, however, desire to take this opportunity of congratulating the shareholders upon the satisfactory financial outcome of the first season's business, and desire also to congratulate especially those who are immediately responsible for the management of the Company's affairs. Your Directors realize that the great purpose for which the Company was created, that of protecting the farmers from the unjust exactions of corporate interests, and securing for them the utmost value for their products, can only be permanently attained by establishing the Company upon the soundest possible financial basis, thus securing the confidence of the financial interests, whose co-operation is so necessary in the business of handling grain.

The net profit for the year, as shown in the balance sheet, is \$52,461.60. After careful consideration your Board of Directors have decided to recommend that the maximum dividend of 6 per cent. allowed by the Act of Incorporation be paid to the shareholders, the amount involved, \$3,662.55, being shown in the balance sheet, leaving a balance for further disposal of \$48,799.05. As provided in clause 20 of the Act, 50 per cent. of this balance, amounting to \$24,399.52, must be placed in the Elevator Reserve Fund, which can only be drawn upon in case the receipts of the Company are not sufficient in any year to pay operating and maintenance expenditures. Your Directors recommend that the balance remaining, amounting to \$24,399.53, be placed in a fund to be called the "Trading Reserve Fund," the purpose being to

gather in as short a time as possible, by means of this reserve, sufficient capital to enable the Company to enter the business of supplying to its supporters those commodities which the farmer purchases in wholesale quantities. The development of the Company's business in this direction was contemplated by the report of the Commission which recommended the Co-operative Elevator scheme and also by the Act itself. In addition to this, many of our locals are extremely anxious that this important side of our business should be commenced without unnecessary delay, and this can only be accomplished by the accumulation of a fund for the purpose. The fact of the Company requiring warehouse accommodation in Regina as soon as possible, offers a favorable opportunity for the profitable investment of the Trading Reserve Fund. We trust that the delegates present will see the wisdom of accepting the above recommendation re disposition of the Company's surplus.

In conclusion we desire to call your attention to the remarkable growth of the Company, the total subscribed capital amounting at the present time to \$1,177,200; shares being held by 8,962 farmers. The conclusion of this year's building operations the Company will possess 140 elevators, representing an approximate capital outlay of \$1,115,000, and when we consider that this remarkable growth has taken place in a little over one year, some idea of the task of directing the enterprise may be gained. The company's rate of growth and future possibilities stand without equal in the business development of Western Canada, and the shareholders have reason to be proud of the fact that their Company is in the forefront of the great co-operative movement of the farming industry.

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CHAS. A. DUNNING, General Manager.		
JAMES ROBINSON.		
NEWEL E. BAUMUNK.		
W. C. SUTHERLAND.		
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} *Executive
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J. E. PAYNTER		

Profit and Loss Statement and Balance Sheet

For the Year ended 31st, July, 1912.

Dr. Profit and Loss Account for the

To Grain Purchases		\$1,055,917.53
Wheat	\$801,622.60	
Oats	27,267.33	
Barley	1,453.75	
Flax	<u>225,573.85</u>	
“ Station Expenses (Agents’ wages, help, and all expenses incurred at Elevators).....		30,828.79
“ Elevator repairs and renewals		1,123.06
“ Travelling Superintendents’ Salaries and Ex- penses & General Superintendent’s Expenses		5,957.30
“ Elevator Site Rents and Taxes.....		1,968.80
“ Interest, Discount and Exchange.....	16,388.70	
Less rebate on Interest.....	<u>1,569.90</u>	
		14,818.80
“ Provision for Interest to 31st July, 1912, on Provincial Government Loan for 1911 Con- struction, First instalment of which Loan is payable 31st August, 1913.....		10,223.20
“ Insurance.....		7,369.91
“ Auditors’ Fees and Expenses.....		1,105.91
“ Directors’ Fees and Expenses		1,013.35
“ General Expenses, Office Supplies, etc.....		1,536.79
“ Head Office Salaries.....		10,112.40
“ Legal Expenses.....		66.40
“ Postages.....		527.37
“ Printing and Stationery.....		3,274.90
“ Rent and Light.....		1,259.00
“ Telegrams and Telephones.....		1,968.64
“ Elevator Licenses.....		90.00
“ Depreciation---Office Furniture		788.93
“ Amount of loss on Govan Elevator destroyed by fire		274.68
“ Contingent Account (provision for disputed ac- count)		457.66
“ Depreciation---Elevator Buildings and Plant 1911 Construction		10,000.00
“ Balance, being Profit carried down.....		<u>52,461.60</u>
		\$1,213,145.02

Elevator Company, Limited.

Year ended 31st July, 1912.

Cr.

By Grain Sales (net proceeds)-----		\$1,064,148.75
Wheat -----	\$976,478.70	
Oats -----	34,841.99	
Barley -----	2,060.87	
Flax -----	221,351.13	
	<hr/>	\$1,234,732.69
Less :		
Hedging Account -----	14,871.67	
Freight -----	147,098.26	
Interest on Freight-----	49.64	
Commissions-----	7,335.43	
Premiums -----	846.21	
Terminal Storage-----	382.73	
	<hr/>	170,583.94
“ Storage and Handling Charges		38,523.66
“ Forfeitures -----		5,610.00
“ Rent received (Stockholm Coal Shed) -----		15.00
“ Grain Stocks valued at Street prices, 31st July, 1912-----		103,373.61
Wheat -----	59,933.45	
Oats -----	1,628.46	
Flax -----	41,811.70	
	<hr/>	
“ Stationery Stocks-----		1,474.00

\$1,213,145.02

Directors' Recommendations with respect

To Dividend recommended by the Directors at six per cent. on Shares
allotted prior to April 1st, 1912:

Six per cent. on amount paid on such Shares, viz: \$61,042.50 \$ 3,662.55

To Surplus, carried down	48,799.05
	\$52,461.60

To Trading Reserve Fund.....	24,399.53
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Being 50 per cent. of surplus after dividend as above, as sanctioned
by Sub Clause D. Clause 3, Section 20 of the Act of Incorporation---

To Elevator Reserve Fund.....	24,399.52
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Under Clause 4, Section 20 of the Act of Incorporation

	\$48,799.05
--	-------------

to Disposal of Surplus—31st July, 1912.

By Net Profit for Financial Year ended 31st July, 1912, as per Profit and Loss Account.....	52,461.60
	
By Surplus brought down.....	48,799.05
	 <u> </u>

Balance Sheet as

ASSETS

ELEVATORS		\$479,402.60
1911 Construction.....	\$351,554.69	
Less depreciation	10,000.00	
	<u>341,554.69</u>	
1912 Construction.....	\$260,114.44	
Less Outstanding Accounts.....	122,266.53	137,847.91
	<u>137,847.91</u>	
ACCOUNTS OWING TO THE COM- PANY		6,494.45
OFFICE FURNITURE AND FITTINGS	1,577.78	
Less depreciation	788.93	788.85
	<u>788.93</u>	
STOCKS		104,847.61
In Houses and in Transit.....	103,373.61	
Wheat.....	59,933.45	
Oats.....	1,628.46	
Flax	41,811.70	
	<u>103,373.61</u>	
Stationery	1,474.00	
	<u>1,474.00</u>	
CASH AT BANK, HEAD OFFICE AND LOCALS' PAYMASTERS		66,353.78
PRELIMINARY EXPENSES.....		22,044.80
1911 Organization and Construction---	10,883.91	
1912 Organization and Construction---	8,727.39	
	<u>19,611.30</u>	
Chargeable to 1912-13 Operating.....	2,433.50	
	<u>2,433.50</u>	
INSURANCE PREMIUMS.....		460.49
Unexpired portion of premiums paid---	724.19	
Less premiums unpaid.....	263.70	
	<u>460.49</u>	
LLOYDMINSTER SITE.....		300.00
		<u>\$680,692.58</u>

I have examined the Books and Accounts of The Saskatchewan Co-operative Elevator the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the and at Head Office, and have inspected the acknowledgments from the Locals' Paymasters with Financial Year. The Grain Stocks shown on the Balance Sheet have been certified as correct by Manager.

at 31st July, 1912.

LIABILITIES

SHARE CAPITAL AUTHORIZED-----	\$1,500,000.00	
SHARE CAPITAL SUBSCRIBED		
1911 Organization-----	8171 Shares at \$50----	408,550.00
1912 Organization-----	15373 Shares at \$50----	768,650.00
	<u>23544</u>	<u>1,177,200.00</u>
SHARE CAPITAL PAID-----		\$176,580.00
At April 1st, 1912		
1911-Organization -----	8139 Shares at \$7.50---	\$ 61,042.50
At July 31st, 1912		
1911-Organization -----	32 Shares at 7.50---	240.00
	<u>8171</u>	<u>61,282.50</u>
At July 31st, 1912		
1912-Organization -----	15373 Shares at 7.50---	115,297.50
	<u>23544</u>	<u>176,580.00</u>
PROVINCIAL GOVERNMENT OF SASKATCHEWAN -----		393,694.79
Loan -----	\$	383,298.49
1911 Organization and Construction----	315,723.49	
1912 Organization and Construction----	<u>67,575.00</u>	
Interest to date-----		10,396.30
1911 Organization and Construction----	10,223.20	
1912 Organization and Construction----	<u>173.10</u>	
BILLS PAYABLE-----		45,000.00
ACCOUNTS OWING BY THE COMPANY-----		3,559.23
OUTSTANDING CASH GRAIN TICKETS-----		7,953.46
APPLICATION MONIES NOT ALLOTTED AT DATE		117.50
TAXES -----		1,326.00
Estimated for 1912-----	2,046.00	
Less amount chargeable to ensuing Financial Year	<u>720.00</u>	
PROFIT for year ending 31st July, 1912, as per separate statement-----		52,461.60
		<u>\$680,692.58</u>

Company, Limited, for the period ended 31st July, 1912, and beg to certify that in my opinion Company's affairs as shown by the Books of the Company. I have verified the cash at Bank respect to moneys in their possession belonging to the Company at the end of the Company's the General Superintendent of the Operating Department and countersigned by the General THOMAS GRANT, C.A., Auditor to the Company.

